

AMENDED IN ASSEMBLY APRIL 8, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 2640

Introduced by Assembly Member Arambula

February 19, 2010

~~An act to amend Sections 17149, 18037, 18041.5, 18042, 24941, 24942, 24943, 24944, 24950, 24951, 24952, 24954, 24954.1, and 24955 of, and to add Sections 6377, 18036.7, 18036.8, 18037.2, 18037.3, 18037.5, 18037.7, 18038.1, 18038.2, 18045, 24943.5, 24951.5, 24952.3, 24953, 24955.5, 24957, and 24958~~ *An act to amend Section 17149 of, and to add Sections 17053.49 and 23649 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2640, as amended, Arambula. ~~Sales and use taxes: exemption: manufacturing equipment: income~~ *Income taxes: subsidized parking: nontaxable exchanges: credits: qualified property.*

~~The Sales and Use Tax Law imposes a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state.~~

~~This bill would exempt from sales and use taxes the gross receipts from the sale of, and the storage, use, or other consumption of, manufacturing equipment that is purchased by specified purchasers in a specified amount. This bill would cap the amount of exemption allowed to those specified purchasers at a particular amount, as annually adjusted.~~

~~This bill would specify that this exemption does not apply to local sales and use taxes, transactions and use taxes, and specified state sales and use taxes.~~

~~The Personal Income Tax Law and the Corporation Tax Law, in modified conformity to federal income tax laws, exclude from taxation any gain from certain exchanges of property. Law authorize various credits against the taxes imposed by those laws.~~

~~This bill would, under both laws, remove the exclusion from taxation any gain from those exchanges provide for a credit in a specified amount of the sales and use taxes paid by a qualified taxpayer for qualified property placed in service within this state, for taxable years beginning on or after January 1, 2010.~~

The Personal Income Tax Law provides an exclusion from gross income for compensation or the fair market value of any benefit, except salary or wages, that is received by an employee from an employer for the use of various transportation methods or arrangements, including free or subsidized parking.

This bill would, for taxable years beginning on or after January 1, 2010, remove the exclusion from gross income for free or subsidized parking.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17053.49 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17053.49. (a) (1) For each taxable year beginning on or after
- 4 January 1, 2010, there shall be allowed to a qualified taxpayer as
- 5 a credit against the "net tax," as defined in Section 17039, an
- 6 amount as described in paragraph (2) for qualified property that
- 7 is placed in service in this state.
- 8 (2) The amount of credit allowed by this section shall be the
- 9 percentage of the total sales tax reimbursement or use tax paid on
- 10 a purchase or purchases of qualified property, the revenues of
- 11 which are deposited in the General Fund.
- 12 (b) For purposes of this section:

1 (1) “Qualified property” means any property that is Section
2 1245 property, as defined in Section 1245(a)(3) of the Internal
3 Revenue Code.

4 (2) “Qualified taxpayer” means a purchaser engaged in any of
5 those lines of business described in Codes 311111 to 339999,
6 inclusive, of the North American Industrial Classification System
7 (NAICS) Manual published by the United States Office of
8 Management and Budget, 2007 edition.

9 (c) No credit, no further credit in any subsequent year, and no
10 credit carryover shall be allowed with respect to the qualified
11 property to any qualified taxpayer beginning in the year in which
12 that qualified property for which a credit was allowed under this
13 section is disposed of or removed from this state within one year
14 of the date of purchase.

15 (d) In the case where the credit allowed by this section exceeds
16 the “net tax,” the excess may be carried over to reduce the “net
17 tax” in the following year, and the succeeding years, until the
18 credit is exhausted.

19 (e) (1) Credit under this section and Section 23649 shall be
20 allowed on or before the cutoff date established by the Franchise
21 Tax Board and shall be granted on a first-come-first-served basis.

22 (2) For the first taxable calendar year in which this credit is in
23 effect, the cutoff date shall be the last day of the calendar quarter
24 within which the Franchise Tax Board estimates that the aggregate
25 revenue increase generated from the amendments made to Section
26 17149 by the act adding this section has reached the baseline
27 amount. For purposes of this subparagraph, “baseline amount”
28 means one hundred million dollars (\$100,000,000).

29 (3) For each subsequent taxable year, the cutoff date shall be
30 the last day of the calendar quarter within which the Franchise
31 Tax Board estimates that the baseline amount has been reached,
32 or that amount is adjusted each calendar year to reflect the rate
33 of inflation or deflation from the previous date that the baseline
34 amount was established, as measured by the Consumer Price Index
35 or other method of measuring the rate of inflation or deflation
36 which the Franchise Tax Board determines is reliable and
37 generally accepted.

38 ~~SECTION 1. Section 6377 is added to the Revenue and~~
39 ~~Taxation Code, to read:~~

~~6377. (a) (1) Subject to paragraph (2), there are exempted from the taxes imposed by this part the gross receipts from the sale of, and the storage, use, or other consumption in this state of, tangible personal property that is depreciable manufacturing equipment purchased by a qualified purchaser.~~

~~(2) No exemption shall be allowed where the cutoff date, as described in paragraph (2) of subdivision (c), for that calendar year has been reached.~~

~~(b) For purposes of this section, “qualified purchaser” means a purchaser engaged in any of those lines of business described in Codes 311111 to 339999, inclusive, of the North American Industrial Classification System (NAICS) Manual published by the United States Office of Management and Budget, 2007 edition.~~

~~(c) (1) No exemption shall be allowed under this section unless the purchaser furnishes the retailer with an exemption certificate, completed in accordance with any instruction or regulation as the board may prescribe, and the retailer subsequently furnishes the board with a copy of the exemption certificate. The exemption certificate shall contain the purchase price of the depreciable manufacturing equipment, the sale or storage, use, or other consumption of which is exempt from taxes pursuant to subdivision (a).~~

~~(2) Exemptions under this section shall be allowed on or before the cutoff date established by the Franchise Tax Board and shall be granted on a first-come-first-served basis.~~

~~(A) For the first calendar year in which this exemption is in effect, the cutoff date shall be the last day of the calendar quarter within which the Franchise Tax Board estimates that the aggregate revenue increase generated from the amendments and additions made to Chapter 13 (commencing with Section 18031) of Part 10 and Article 3 (commencing with Section 24941) of Chapter 15 of Part 11 by the act adding this subdivision has reached the baseline amount. For purposes of this subparagraph, “baseline amount” means four hundred fifty million dollars (\$450,000,000).~~

~~(B) For each subsequent calendar year, the cutoff date shall be the last day of the calendar quarter within which the Franchise Tax Board estimates that the baseline amount has been reached, or that amount is adjusted each calendar year to reflect the rate of inflation or deflation from the previous date that the baseline amount was established, as measured by the Consumer Price Index or other~~

1 method of measuring the rate of inflation or deflation which the
2 Franchise Tax Board determines is reliable and generally accepted.

3 (d) (1) Notwithstanding any provision of the Bradley-Burns
4 Uniform Local Sales and Use Tax Law (Part 1.5 (commencing
5 with Section 7200)) or the Transactions and Use Tax Law (Part
6 1.6 (commencing with Section 7251)), the exemption provided by
7 this section shall not apply with respect to any tax levied by a
8 county, city, or district pursuant to, or in accordance with, either
9 of those laws.

10 (2) The exemption provided by this section shall not apply with
11 respect to any tax levied pursuant to Sections 6051.2, 6051.5,
12 6201.2, and 6201.5 or pursuant to Section 35 of Article XIII of
13 the California Constitution.

14 SEC. 2. Section 17149 of the Revenue and Taxation Code is
15 amended to read:

16 17149. (a) Gross income does not include compensation or
17 the fair market value of any other benefit, except salary or wages,
18 received by an employee from an employer for participation in
19 any ridesharing arrangement in California, including those specified
20 in subdivision (b).

21 (b) For purposes of this section, compensation or the fair market
22 value of any other benefit received for participation in a ridesharing
23 arrangement in California includes compensation or other benefit
24 received for:

25 (1) Commuting in a vanpool.

26 (2) Commuting in a private commuter bus or buspool.

27 (3) A transit pass for use by the employee or his or her
28 dependents, other than transit passes for use by elementary and
29 secondary school students who are dependents of the employee.

30 (4) Commuting in a subscription taxipool.

31 (5) Commuting in a carpool.

32 (6) An employee's bicycling to or from his or her place of
33 employment.

34 (7) Commuting by ferry.

35 (8) The use of an alternative transportation method, other than
36 a method otherwise specified in this subdivision, that reduces the
37 use of a motor vehicle by a single occupant to travel to or from
38 that individual's place of employment.

39 (9) Travel to or from a telecommuting facility.

40 (c) For purposes of this section:

1 (1) “Vanpool” means seven or more persons commuting on a
2 daily basis to and from work by means of a vehicle with a seating
3 arrangement designed to carry 7 to 15 adults, including the driver,
4 that is used to transport those persons who commute to and from
5 work on a regular basis.

6 (2) “Transit pass” means any purchase of transit rides that
7 entitles the holder to any number of transit rides to and from the
8 workplace, whether at a discount rate or the base fare rate.

9 (3) “Transit” means transportation service for use by the general
10 public that utilizes buses, railcars, or ferries with a seating capacity
11 of 16 or more persons.

12 (4) “Subscription taxipool” means a type of service in which
13 employers or groups of employees contract with a public or private
14 taxi operator to provide daily commuter service for a group of
15 preassembled subscribers on a prepaid or daily fare basis following
16 a relatively fixed route and schedule tailored to meet the needs of
17 the subscribers.

18 (5) “Ridesharing arrangement” means the transportation of
19 persons in a motor vehicle where that transportation is incidental
20 to another purpose of the driver. The term includes ridesharing
21 arrangements known as carpools, vanpools, and buspools.

22 (6) “Carpool” means two or more persons commuting on a daily
23 basis to and from work by means of a vehicle with a seating
24 arrangement designed to carry less than seven adults, including
25 the driver.

26 (7) “Buspool” means 16 or more persons commuting on a daily
27 basis to and from work by means of a vehicle with a seating
28 arrangement designed to carry more than 15 adult passengers.

29 (8) “Private commuter bus” means a highway vehicle which
30 meets all of the following criteria:

31 (A) Has a seating capacity of at least seven adults, including
32 the driver.

33 (B) At least 50 percent of the mileage of which can be
34 reasonably expected to be used for the purpose of transporting
35 employees to and from work.

36 (C) Is acquired by the taxpayer on or after the date of enactment
37 of this section.

38 (D) With respect to which the taxpayer makes an election under
39 this paragraph on his or her return for the taxable year in which
40 the vehicle is placed in service.

1 (9) "Alternative commute program" means any alternative
2 transportation method or program the purpose of which is to reduce
3 the use of a motor vehicle by a single occupant to travel to and
4 from that individual's place of employment.

5 (d) The amendments made to this section by the act adding this
6 subdivision shall apply to taxable years beginning on or after
7 January 1, 2010.

8 *SEC. 3. Section 23649 is added to the Revenue and Taxation*
9 *Code, to read:*

10 23649. (a) (1) *For each taxable year beginning on or after*
11 *January 1, 2010, there shall be allowed to a qualified taxpayer as*
12 *a credit against the "tax," as defined in Section 23036, an amount*
13 *as described in paragraph (2) for qualified property that is placed*
14 *in service in this state.*

15 (2) *The amount of credit allowed by this section shall be the*
16 *percentage of the total sales tax reimbursement or use tax paid on*
17 *a purchase or purchases of qualified property, the revenues of*
18 *which are deposited in the General Fund.*

19 (b) *For purposes of this section:*

20 (1) *"Qualified property" means any property that is Section*
21 *1245 property, as defined in Section 1245(a)(3) of the Internal*
22 *Revenue Code.*

23 (2) *"Qualified taxpayer" means a purchaser engaged in any of*
24 *those lines of business described in Codes 311111 to 339999,*
25 *inclusive, of the North American Industrial Classification System*
26 *(NAICS) Manual published by the United States Office of*
27 *Management and Budget, 2007 edition.*

28 (c) *No credit, no further credit in any subsequent year, and no*
29 *credit carryover shall be allowed with respect to the qualified*
30 *property to any qualified taxpayer beginning in the year in which*
31 *that qualified property for which a credit was allowed under this*
32 *section is disposed of or removed from this state within one year*
33 *of the date of purchase.*

34 (d) *In the case where the credit allowed by this section exceeds*
35 *the "tax," the excess may be carried over to reduce the "tax" in*
36 *the following year, and the succeeding years, until the credit is*
37 *exhausted.*

38 (e) (1) *Credit under this section and Section 17053.49 shall be*
39 *allowed on or before the cutoff date established by the Franchise*
40 *Tax Board and shall be granted on a first-come-first-served basis.*

(2) For the first taxable calendar year in which this credit is in effect, the cutoff date shall be the last day of the calendar quarter within which the Franchise Tax Board estimates that the aggregate revenue increase generated from the amendments made to Section 17149 by the act adding this section has reached the baseline amount. For purposes of this subparagraph, “baseline amount” means one hundred million dollars (\$100,000,000).

(3) For each subsequent taxable year, the cutoff date shall be the last day of the calendar quarter within which the Franchise Tax Board estimates that the baseline amount has been reached, or that amount is adjusted each calendar year to reflect the rate of inflation or deflation from the previous date that the baseline amount was established, as measured by the Consumer Price Index or other method of measuring the rate of inflation or deflation which the Franchise Tax Board determines is reliable and generally accepted.

SEC. 4. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

~~SEC. 3. Section 18036.7 is added to the Revenue and Taxation Code, to read:~~

~~18036.7. (a) For taxable years beginning on or after January 1, 2010, Section 1031(a) of the Internal Revenue Code, relating to nonrecognition of gain or loss from exchanges solely in kind shall not apply.~~

~~(b) For taxable years beginning on or after January 1, 2010, Section 1031(f)(1) of the Internal Revenue Code, relating to special rules for exchanges between related persons shall not apply.~~

~~(c) For taxable years beginning on or after January 1, 2010, Section 1031(i) of the Internal Revenue Code, relating to special rules for mutual ditch, reservoir, or irrigation company stock shall not apply.~~

~~SEC. 4. Section 18036.8 is added to the Revenue and Taxation Code, to read:~~

~~18036.8. For taxable years beginning on or after January 1, 2010, Section 1032 of the Internal Revenue Code, relating to exchange of stock for property shall not apply.~~

~~SEC. 5. Section 18037 of the Revenue and Taxation Code is amended to read:~~

~~18037. (a) An election made by a taxpayer pursuant to Section 1033(g)(3) of the Internal Revenue Code, relating to the election~~

1 to treat outdoor advertising displays as real property, may not be
2 denied because the taxpayer has, on his or her federal return,
3 elected to expense the asset.

4 (b) For taxable years beginning on or after January 1, 2010,
5 Section 1033(a)(1) of the Internal Revenue Code, relating to
6 involuntary conversions into similar property shall not apply.

7 (c) For taxable years beginning on or after January 1, 2010,
8 Section (a)(2)(A) of the Internal Revenue Code, relating to
9 involuntary conversions into money shall not apply.

10 SEC. 6. Section 18037.2 is added to the Revenue and Taxation
11 Code, to read:

12 18037.2. For taxable years beginning on or after January 1,
13 2010, Section 1035 of the Internal Revenue Code, relating to
14 certain exchanges of insurance policies shall not apply.

15 SEC. 7. Section 18037.3 is added to the Revenue and Taxation
16 Code, to read:

17 18037.3. For taxable years beginning on or after January 1,
18 2010, Section 1036 of the Internal Revenue Code, relating to stock
19 for stock of the same corporation shall not apply.

20 SEC. 8. Section 18037.5 is added to the Revenue and Taxation
21 Code, to read:

22 18037.5. For taxable years beginning on or after January 1,
23 2010, Section 1037 of the Internal Revenue Code, relating to
24 certain exchanges of United States obligation shall not apply.

25 SEC. 9. Section 18037.7 is added to the Revenue and Taxation
26 Code, to read:

27 18037.7. For taxable years beginning on or after January 1,
28 2010, Section 1038(a) of the Internal Revenue Code, relating to
29 general rule for certain acquisitions of property shall not apply.

30 SEC. 10. Section 18038.1 is added to the Revenue and Taxation
31 Code, to read:

32 18038.1. For taxable years beginning on or after January 1,
33 2010, Section 1041(a) of the Internal Revenue Code, relating to
34 transfers of property between spouses or incident to divorce shall
35 not apply.

36 SEC. 11. Section 18038.2 is added to the Revenue and Taxation
37 Code, to read:

38 18038.2. For taxable years beginning on or after January 1,
39 2010, Section 1043 of the Internal Revenue Code, relating to sale

1 of property to comply with conflict-of-interest requirements shall
2 not apply.

3 ~~SEC. 12. Section 18041.5 of the Revenue and Taxation Code~~
4 ~~is amended to read:~~

5 ~~18041.5. (a) No gain shall be recognized with respect to a~~
6 ~~sale of an assisted housing development to a tenant association,~~
7 ~~nonprofit organization, profit-motivated organization or individual,~~
8 ~~or public agency which obligates itself and any successors in~~
9 ~~interest to maintain the assisted housing development affordable~~
10 ~~to persons or families of lower income or very low income for~~
11 ~~either a period of 30 years from the date of sale or the remaining~~
12 ~~term of existing federal government assistance as listed in~~
13 ~~subdivision (a) of Section 65863.10 of the Government Code,~~
14 ~~whichever is greater, provided that all of the proceeds from the~~
15 ~~sale are reinvested in residential real property, other than a personal~~
16 ~~residence, in this state within two years after the sale. This~~
17 ~~obligation shall be recorded at the time of sale in the office of the~~
18 ~~county recorder of the county in which the development is located.~~

19 ~~(b) No gain shall be recognized with respect to a sale of a~~
20 ~~majority or more of units in an assisted housing development~~
21 ~~converted to condominium interests, to a tenant association,~~
22 ~~nonprofit organization, profit-motivated organization or individual,~~
23 ~~or public agency which obligates itself and any successors in~~
24 ~~interest to maintain the condominiums affordable to persons or~~
25 ~~families of lower income or very low income for either a period~~
26 ~~of 30 years from the date of sale or the remaining term of existing~~
27 ~~federal government assistance as listed in subdivision (a) of Section~~
28 ~~65863.10 of the Government Code, provided that all of the~~
29 ~~proceeds from the sale are reinvested in residential real property,~~
30 ~~other than a personal residence, in this state within two years after~~
31 ~~the sale. This obligation shall be recorded at the time of sale in the~~
32 ~~office of the county recorder of the county in which the~~
33 ~~development is located.~~

34 ~~(c) No gain shall be recognized with respect to a sale of real~~
35 ~~property to a majority or more of existing lower income and very~~
36 ~~low income residents of that property, provided that all of the~~
37 ~~proceeds from the sale are reinvested in residential real property,~~
38 ~~other than a personal residence, in this state within two years after~~
39 ~~the sale.~~

1 ~~(d) No gain shall be recognized with respect to a sale of a~~
2 ~~majority or more of units converted to condominium interests to~~
3 ~~the existing lower income or very low income residents of that~~
4 ~~property, provided that all of the proceeds from the sale are~~
5 ~~reinvested in residential real property, other than a personal~~
6 ~~residence, in this state within two years after the sale.~~

7 ~~(e) For purposes of this section:~~

8 ~~(1) “Assisted housing development” means a multifamily rental~~
9 ~~housing development that receives federal government assistance,~~
10 ~~appearing of record and containing a legal description of the~~
11 ~~property, as defined in subdivision (a) of Section 65863.10 of the~~
12 ~~Government Code.~~

13 ~~(2) “Tenant association” means a group of tenants who have~~
14 ~~formed a nonprofit corporation, cooperative corporation, or other~~
15 ~~entity or organization; or a local nonprofit, regional, or national~~
16 ~~organization whose purpose includes the acquisition of an assisted~~
17 ~~housing development, real property, or condominium and which~~
18 ~~represents the interests of at least a majority of the tenants in the~~
19 ~~assisted housing development, real property, or condominium.~~

20 ~~(3) “Nonprofit organization” means a not-for-profit corporation~~
21 ~~organized pursuant to Division 2 (commencing with Section 5000)~~
22 ~~of Title 1 of the Corporations Code, which has as its principal~~
23 ~~purpose the ownership, development, or management of housing~~
24 ~~or community development projects for persons and families of~~
25 ~~lower income and very low income, and which has a broadly~~
26 ~~representative board, a majority of whose members are~~
27 ~~community-based and has a proven track record of community~~
28 ~~service.~~

29 ~~(4) “Public agency” means a housing authority, redevelopment~~
30 ~~agency, or any other agency of a city, county, or city and county,~~
31 ~~whether general law or chartered, which is authorized to own,~~
32 ~~develop, or manage housing or community development projects~~
33 ~~for persons and families of lower income and very low income.~~

34 ~~(5) “Regional or national organization” means a not-for-profit,~~
35 ~~charitable corporation organized on a multicounty, state, or~~
36 ~~multistate basis which has as its principal purpose the ownership,~~
37 ~~development, or management of housing or community~~
38 ~~development projects for persons and families of lower income~~
39 ~~and very low income.~~

1 (6) “Regional or national agency” means a multicounty, state,
2 or multistate agency which is authorized to own, develop, or
3 manage housing or community development projects for persons
4 and families of lower income and very low income.

5 (7) “Profit-motivated organization or individual” means an
6 individual or two or more persons organized pursuant to Division
7 1 (commencing with Section 100) of Title 1 of, Division 3
8 (commencing with Section 1200) of Title 1 of, or Division 1
9 (commencing with Section 15001) of Title 2 of, the Corporations
10 Code, which carries on as a business for profit.

11 (8) “Lower income” means those residents having an income
12 as defined by Section 50079.5 of the Health and Safety Code.

13 (9) “Very low income” means those residents having an income
14 as defined by Section 50105 of the Health and Safety Code.

15 (10) “Resident” means a tenant or other person who lawfully
16 occupies a unit located in a qualified low-income housing project
17 as defined under Section 17058, and whose income qualifies as
18 lower income or very low income.

19 (11) “Condominium” means the interest in real property defined
20 in Section 783 of the Civil Code.

21 (f) If the purchase of residential real property results in the
22 nonrecognition of gain on the sale of an assisted housing
23 development, real property, or condominium under subdivision
24 (a), (b), (c), or (d), in determining the adjusted basis of the
25 purchased residential real property as of any time following the
26 sale of the assisted housing development, real property, or
27 condominium, the adjustments to the basis shall include a reduction
28 by an amount equal to the amount of the gain not so recognized
29 on the sale of the assisted housing development, real property, or
30 condominium. If more than one parcel of residential real property
31 has been purchased, the nonrecognized gain from the sale of the
32 assisted housing development, real property, or condominium shall
33 be attributed to the parcels of residential real property on a pro
34 rata basis based upon the purchase prices of those parcels.

35 (g) In accordance with subdivision (a), (b), (c), or (d), if the sale
36 of an assisted housing development, real property, or condominium
37 results in a gain during the taxable year, then all of the following
38 shall apply:

39 (1) The statutory period for the assessment of any deficiency
40 attributable to any part of the gain shall not expire before the

1 expiration of four years from the date the Franchise Tax Board is
2 notified (on the form as the Franchise Tax Board may provide) of
3 one of the following:

4 (A) The cost of purchasing the residential real property which
5 satisfies the requirement of subdivision (a), (b), (c), or (d), and
6 results in the nonrecognition of gain.

7 (B) The intention not to reinvest all of the proceeds from the
8 sale in residential real property within the period specified in
9 subdivision (a), (b), (c), or (d).

10 (C) The failure to reinvest all of the proceeds from the sale in
11 residential real property within the period specified in subdivision
12 (a), (b), (c), or (d).

13 (2) The deficiency may be assessed before the expiration of the
14 period specified in paragraph (1), notwithstanding the provisions
15 of any other law or rule of law which would otherwise prevent the
16 assessment.

17 (3) All information regarding the sale of an assisted housing
18 development, real property, or condominium, at a gain in
19 accordance with subdivision (a), (b), (c), or (d), shall be disclosed
20 in the return for the taxable year in which the sale took place in
21 order to determine if the sale qualifies and the amount of
22 nonrecognition of gain qualifies under subdivision (a), (b), (c), or
23 (d).

24 (h) The Department of Housing and Community Development
25 shall do all of the following:

26 (1) Certify that the lower income or very low income resident
27 meets the definitions provided in paragraphs (8) and (9) of
28 subdivision (e).

29 (2) Provide an annual listing to the Franchise Tax Board, in a
30 form and manner agreed upon by the Franchise Tax Board and the
31 Department of Housing and Community Development, of the
32 names and identification numbers of the persons who are members
33 of the group of purchasers who are lower income or very low
34 income residents that were issued a certification, and the names
35 and identification numbers of the sellers of the property.

36 (3) Provide the group of purchasers who are lower income or
37 very low income residents a copy of the certification.

38 (i) The group of purchasers who are lower income or very low
39 income residents shall do all of the following:

1 ~~(1) Provide the Department of Housing and Community~~
2 ~~Development with documents, as deemed necessary by the~~
3 ~~department, verifying the income of each member of the group.~~

4 ~~(2) Provide a copy of the certification to the seller of the assisted~~
5 ~~housing development, real property, or condominium.~~

6 ~~(3) Retain a copy of the certification.~~

7 ~~(j) The seller of the assisted housing development, real property,~~
8 ~~or condominium shall do all of the following:~~

9 ~~(1) Obtain a copy of the certification from the group of~~
10 ~~purchasers who are lower income or very low income residents of~~
11 ~~the assisted housing development, real property, or condominium.~~

12 ~~(2) Retain a copy of the group's lower income or very low~~
13 ~~income certification for tax purposes.~~

14 ~~(k) This section shall cease to be operative for taxable years~~
15 ~~beginning on or after January 1, 2010.~~

16 ~~SEC. 13. Section 18042 of the Revenue and Taxation Code is~~
17 ~~amended to read:~~

18 ~~18042. (a) Section 1042 of the Internal Revenue Code, relating~~
19 ~~to sales of stock to employee stock ownership plans or certain~~
20 ~~cooperatives, shall apply to taxable years beginning on or after~~
21 ~~January 1, 1995, and before January 1, 2010.~~

22 ~~(b) For taxable years beginning on or after January 1, 1998, and~~
23 ~~before January 1, 2010, Section 1042 of the Internal Revenue~~
24 ~~Code, relating to sales of stock to employee stock ownership plans~~
25 ~~or certain cooperatives, is modified to provide that the term~~
26 ~~"domestic corporation" shall instead mean "domestic C~~
27 ~~corporation."~~

28 ~~(c) Section 1042(g) of the Internal Revenue Code, relating to~~
29 ~~application of section to sales of stock in agricultural refiners and~~
30 ~~processors to eligible farm cooperatives, shall not apply.~~

31 ~~(d) For taxable years beginning on or after January 1, 2010,~~
32 ~~Section 1042(a) of the Internal Revenue Code, relating to sales of~~
33 ~~stock to employee stock ownership plans or certain cooperatives~~
34 ~~shall not apply.~~

35 ~~(e) For taxable years beginning on or after January 1, 2010,~~
36 ~~Section 1042(e)(3) of the Internal Revenue Code, relating to~~
37 ~~application of recapture to qualified replacement property shall~~
38 ~~not apply.~~

39 ~~SEC. 14. Section 18045 is added to the Revenue and Taxation~~
40 ~~Code, to read:~~

1 ~~18045. For taxable years beginning on or after January 1, 2010,~~
2 ~~Section 1058 of the Internal Revenue Code, relating to special~~
3 ~~rules for transfers of securities under certain agreements shall not~~
4 ~~apply.~~

5 ~~SEC. 15. Section 24941 of the Revenue and Taxation Code is~~
6 ~~amended to read:~~

7 ~~24941. (a) For taxable years beginning before January 1, 2010,~~
8 ~~Section 1031 of the Internal Revenue Code, relating to exchange~~
9 ~~of property held for productive use or investment, shall apply,~~
10 ~~except as otherwise provided.~~

11 ~~(b) For taxable years beginning on or after January 1, 2010,~~
12 ~~Section 1031(a) of the Internal Revenue Code, relating to~~
13 ~~nonrecognition of gain or loss from exchanges solely in kind shall~~
14 ~~not apply.~~

15 ~~(c) For taxable years beginning on or after January 1, 2010,~~
16 ~~Section 1031(f)(1) of the Internal Revenue Code, relating to special~~
17 ~~rules for exchanges between related persons shall not apply.~~

18 ~~(d) For taxable years beginning on or after January 1, 2010,~~
19 ~~Section 1031(i) of the Internal Revenue Code, relating to special~~
20 ~~rules for mutual ditch, reservoir, or irrigation company stock shall~~
21 ~~not apply.~~

22 ~~SEC. 16. Section 24942 of the Revenue and Taxation Code is~~
23 ~~amended to read:~~

24 ~~24942. (a) No gain or loss shall be recognized to a corporation~~
25 ~~on the receipt of money or other property in exchange for stock~~
26 ~~(including treasury stock) of that corporation. No gain or loss shall~~
27 ~~be recognized by a corporation with respect to any lapse or~~
28 ~~acquisition of an option, or with respect to a securities futures~~
29 ~~contract (as defined in Section 1234B of the Internal Revenue~~
30 ~~Code, to buy or sell its stock (including treasury stock).~~

31 ~~(b) For basis of property acquired by a corporation in certain~~
32 ~~exchanges for its stock, see Sections 24552 to 24554, inclusive.~~

33 ~~(c) This section shall cease to be operative for taxable years~~
34 ~~beginning on or after January 1, 2010.~~

35 ~~SEC. 17. Section 24943 of the Revenue and Taxation Code is~~
36 ~~amended to read:~~

37 ~~24943. If property (as a result of its destruction in whole or in~~
38 ~~part, theft, seizure, or requisition or condemnation or threat or~~
39 ~~imminence thereof) is compulsorily or involuntarily converted—~~

1 ~~(a) Into property similar or related in service or use to the~~
2 ~~property so converted, no gain shall be recognized.~~

3 ~~(b) Into money, and the disposition of the converted property~~
4 ~~occurred before January 1, 1953, no gain shall be recognized if~~
5 ~~such money is forthwith in good faith, under regulations prescribed~~
6 ~~by the Franchise Tax Board, expended in the acquisition of other~~
7 ~~property similar or related in service or use to the property so~~
8 ~~converted, or in the acquisition of control of a corporation owning~~
9 ~~such other property, or in the establishment of a replacement fund.~~
10 ~~If any part of the money is not so expended, the gain shall be~~
11 ~~recognized to the extent of the money which is not so expended~~
12 ~~(regardless of whether such money is received in one or more~~
13 ~~taxable years and regardless of whether or not the money which~~
14 ~~is not so expended constitutes gain). For purposes of this subsection~~
15 ~~and Section 24944, the term “disposition of the converted property”~~
16 ~~means the destruction, theft, seizure, requisition, or condemnation~~
17 ~~of the converted property, or the sale or exchange of such property~~
18 ~~under threat or imminence of requisition or condemnation.~~

19 ~~For purposes of this section and Section 24944, the term~~
20 ~~“control” means the ownership of stock possessing at least 80~~
21 ~~percent of the total combined voting power of all classes of stock~~
22 ~~entitled to vote and at least 80 percent of the total number of shares~~
23 ~~of all other classes of stock of the corporation.~~

24 ~~(c) This section shall cease to be operative for taxable years~~
25 ~~beginning on or after January 1, 2010.~~

26 ~~SEC. 18. Section 24943.5 is added to the Revenue and Taxation~~
27 ~~Code, to read:~~

28 ~~24943.5. (a) For taxable years beginning on or after January~~
29 ~~1, 2010, Section 1033(a)(1) of the Internal Revenue Code, relating~~
30 ~~to involuntary conversions into similar property shall not apply.~~

31 ~~(b) For taxable years beginning on or after January 1, 2010,~~
32 ~~Section (a)(2)(A) of the Internal Revenue Code, relating to~~
33 ~~involuntary conversions into money shall not apply.~~

34 ~~SEC. 19. Section 24944 of the Revenue and Taxation Code is~~
35 ~~amended to read:~~

36 ~~24944. (a) For taxable years beginning before January 1, 2010,~~
37 ~~if property (as a result of its destruction in whole or in part, theft,~~
38 ~~seizure, or requisition or condemnation or threat or imminence~~
39 ~~thereof) is compulsorily or involuntarily converted into money or~~
40 ~~into property not similar or related in service or use to the converted~~

1 property, and the disposition of the converted property (as defined
2 in subdivision (b) of Section 24943) occurred after December 31,
3 1952, the gain (if any) shall be recognized except to the extent
4 hereinafter provided in this section:

5 (b) If the taxpayer during the period specified in subdivision
6 (b), for the purpose of replacing the property so converted,
7 purchases other property similar or related in service or use to the
8 property so converted, or purchases stock in the acquisition of
9 control of a corporation owning such other property, at the election
10 of the taxpayer the gain shall be recognized only to the extent that
11 the amount realized upon such conversion (regardless of whether
12 such amount is received in one or more taxable years) exceeds the
13 cost of such other property or such stock. Such election shall be
14 made at such time and in such manner as the Franchise Tax Board
15 may by regulations prescribe. For purposes of this subdivision—

16 (1) No property or stock acquired before the disposition of the
17 converted property shall be considered to have been acquired for
18 the purpose of replacing such converted property unless held by
19 the taxpayer on the date of such disposition; and

20 (2) The taxpayer shall be considered to have purchased property
21 or stock only if, but for the provisions of Section 24947, the
22 unadjusted basis of such property or stock would be its cost within
23 the meaning of Section 24912.

24 (c) The period referred to in subdivision (a) shall be the period
25 beginning with the date of the disposition of the converted property;
26 or the earliest date of the threat or imminence of requisition or
27 condemnation of the converted property, whichever is the earlier,
28 and ending—

29 (1) Two years after the close of the first taxable year in which
30 any part of the gain upon the conversion is realized; or

31 (2) Subject to such terms and conditions as may be specified
32 by the Franchise Tax Board, at the close of such later date as the
33 Franchise Tax Board may designate on application by the taxpayer.
34 Such application shall be made at such time and in such manner
35 as the Franchise Tax Board may by regulations prescribe.

36 (d) For purposes of this section and Section 24943, replacement
37 property “similar or related in service or use” shall include, in the
38 case of a nonprofit water utility corporation, personal property
39 used for the transmission or storage of water.

1 ~~SEC. 20. Section 24950 of the Revenue and Taxation Code is~~
2 ~~amended to read:~~

3 ~~24950. (a) For taxable years beginning before January 1, 2010,~~
4 ~~Section 1035 of the Internal Revenue Code, relating to certain~~
5 ~~exchanges of insurance policies, shall apply, except as otherwise~~
6 ~~provided.~~

7 ~~(b) For taxable years beginning on or after January 1, 2010,~~
8 ~~Section 1035 of the Internal Revenue Code, relating to certain~~
9 ~~exchanges of insurance polies, shall not apply.~~

10 ~~SEC. 21. Section 24951 of the Revenue and Taxation Code is~~
11 ~~amended to read:~~

12 ~~24951. (a) For taxable years beginning before January 1, 2010,~~
13 ~~Section 1036 of the Internal Revenue Code, relating to stock for~~
14 ~~stock of same corporation, shall apply, except as otherwise~~
15 ~~provided.~~

16 ~~(b) For taxable years beginning on or after January 1, 2010,~~
17 ~~Section 1036 of the Internal Revenue Code, relating to stock for~~
18 ~~stock of same corporation shall not apply.~~

19 ~~SEC. 22. Section 24951.5 is added to the Revenue and Taxation~~
20 ~~Code, to read:~~

21 ~~24951.5. For taxable years beginning on or after January 1,~~
22 ~~2010, Section 1037 of the Internal Revenue Code, relating to~~
23 ~~certain exchanges of United States obligation shall not apply.~~

24 ~~SEC. 23. Section 24952 of the Revenue and Taxation Code is~~
25 ~~amended to read:~~

26 ~~24952. (a) For taxable years beginning before January 1, 2010,~~
27 ~~if—~~

28 ~~-~~

29 ~~—(1) A sale of real property gives rise to indebtedness to the~~
30 ~~seller which is secured by the real property sold, and~~

31 ~~-~~

32 ~~—(2) The seller of such property reacquires such property in~~
33 ~~partial or full satisfaction of such indebtedness,~~

34 ~~-~~

35 ~~-~~

36 ~~then, except as provided in subdivisions (b) and (d), no gain or~~
37 ~~loss shall result to the seller from such reacquisition, and no debt~~
38 ~~shall become worthless or partially worthless as a result of such~~
39 ~~reacquisition.~~

1 ~~(b) (1) In the case of a reacquisition of real property to which~~
2 ~~subdivision (a) applies, gain shall result from such reacquisition~~
3 ~~to the extent that—~~

4 ~~(A) The amount of money and the fair market value of other~~
5 ~~property (other than obligations of the purchaser) received, prior~~
6 ~~to such reacquisition, with respect to the sale of such property,~~
7 ~~exceeds~~

8 ~~(B) The amount of the gain on the sale of such property included~~
9 ~~in the measure of tax or returned as income for periods prior to~~
10 ~~such reacquisition.~~

11 ~~(2) The amount of gain determined under paragraph (1) resulting~~
12 ~~from a reacquisition during any taxable year beginning after~~
13 ~~December 31, 1964, shall not exceed the amount by which the~~
14 ~~price at which the real property was sold exceeded its adjusted~~
15 ~~basis, reduced by the sum of—~~

16 ~~(A) The amount of the gain on the sale of such property included~~
17 ~~in the measure of tax or returned as income for periods prior to~~
18 ~~the reacquisition of such property, and~~

19 ~~(B) The amount of money and the fair market value of other~~
20 ~~property (other than obligations of the purchaser received with~~
21 ~~respect to the sale of such property) paid or transferred by the seller~~
22 ~~in connection with the reacquisition of such property.~~

23 ~~For purposes of this paragraph, the price at which real property~~
24 ~~is sold is the gross sales price reduced by the selling commissions,~~
25 ~~legal fees, and other expenses incident to the sale of such property~~
26 ~~which are properly taken into account in determining gain or loss~~
27 ~~on such sale.~~

28 ~~(3) Except as provided in this section, the gain determined under~~
29 ~~this subdivision resulting from a reacquisition to which subdivision~~
30 ~~(a) applies shall be recognized, notwithstanding any other provision~~
31 ~~of this part.~~

32 ~~(c) If subdivision (a) applies to the reacquisition of any real~~
33 ~~property, the basis of such property upon such reacquisition shall~~
34 ~~be the adjusted basis of the indebtedness to the seller secured by~~
35 ~~such property (determined as of the date of reacquisition), increased~~
36 ~~by the sum of—~~

37 ~~(1) The amount of the gain determined under subdivision (b)~~
38 ~~resulting from such reacquisition, and~~

39 ~~(2) The amount described in subparagraph (B) of paragraph (2)~~
40 ~~of subdivision (b).~~

1 If any indebtedness to the seller secured by such property is not
2 discharged upon the reacquisition of such property, the basis of
3 such indebtedness shall be zero.

4 (d) If, prior to a reacquisition of real property to which
5 subdivision (a) applies, the seller has treated indebtedness secured
6 by such property as having become worthless or partially
7 worthless—

8 (1) Such seller shall be considered as receiving, upon the
9 reacquisition of such property, an amount equal to the amount of
10 such indebtedness treated by him as having become worthless, and

11 (2) The adjusted basis of such indebtedness shall be increased
12 (as of the date of reacquisition) by an amount equal to the amount
13 so considered as received by such seller.

14 (e) For taxable years beginning on or after January 1, 2010,
15 Section 1038(a) of the Internal Revenue Code, relating to general
16 rule for certain acquisitions of property shall not apply.

17 SEC. 24. Section 24952.3 is added to the Revenue and Taxation
18 Code, to read:

19 24952.3. For taxable years beginning on or after January 1,
20 2010, Section 1040 of the Internal Revenue Code, relating to
21 transfer of certain real property shall not apply.

22 SEC. 25. Section 24953 is added to the Revenue and Taxation
23 Code, to read:

24 24953. For taxable years beginning on or after January 1, 2010,
25 Section 1043 of the Internal Revenue Code, relating to sale of
26 property to comply with conflict-of-interest requirements shall not
27 apply.

28 SEC. 26. Section 24954 of the Revenue and Taxation Code is
29 amended to read:

30 24954. (a) For taxable years beginning on or after January 1,
31 1995, and before January 1, 2010, Section 1042 of the Internal
32 Revenue Code, relating to sales of stock to employee stock
33 ownership plans or certain cooperatives, shall apply, except as
34 otherwise provided.

35 (b) or taxable years beginning on or after January 1, 2010,
36 Section 1042 of the Internal Revenue Code, relating to sales of
37 stock to employee stock ownership plans or certain cooperatives,
38 shall not apply.

39 SEC. 27. Section 24954.1 of the Revenue and Taxation Code
40 is amended to read:

1 ~~24954.1. For taxable years beginning before January 1, 2010,~~
2 ~~Section 1042(g) of the Internal Revenue Code, relating to~~
3 ~~application of section to sales of stock in agricultural refiners and~~
4 ~~processors to eligible farm cooperatives, shall not apply.~~

5 ~~SEC. 28. Section 24955 of the Revenue and Taxation Code is~~
6 ~~amended to read:~~

7 ~~24955. (a) No gain shall be recognized with respect to a sale~~
8 ~~of an assisted housing development to a tenant association,~~
9 ~~nonprofit organization, profit-motivated organization or individual,~~
10 ~~or public agency which obligates itself and any successors in~~
11 ~~interest to maintain the assisted housing development affordable~~
12 ~~to persons or families of lower income or very low income for~~
13 ~~either a period of 30 years from the date of sale or the remaining~~
14 ~~term of existing federal government assistance as listed in~~
15 ~~subdivision (a) of Section 65863.10 of the Government Code,~~
16 ~~whichever is greater, provided that all of the proceeds from the~~
17 ~~sale are reinvested in residential real property, other than a personal~~
18 ~~residence, in this state within two years after the sale. This~~
19 ~~obligation shall be recorded at the time of sale in the office of the~~
20 ~~county recorder of the county in which the development is located.~~

21 ~~(b) No gain shall be recognized with respect to a sale of a~~
22 ~~majority or more of units in an assisted housing development~~
23 ~~converted to condominium interests, to a tenant association,~~
24 ~~nonprofit organization, profit-motivated organization or individual,~~
25 ~~or public agency which obligates itself and any successors in~~
26 ~~interest to maintain the condominiums affordable to persons or~~
27 ~~families of lower income or very low income for either a period~~
28 ~~of 30 years from the date of sale or the remaining term of existing~~
29 ~~federal government assistance as listed in subdivision (a) of Section~~
30 ~~65863.10 of the Government Code, provided that all of the~~
31 ~~proceeds from the sale are reinvested in residential real property,~~
32 ~~other than a personal residence, in this state within two years after~~
33 ~~the sale. This obligation shall be recorded at the time of sale in the~~
34 ~~office of the county recorder of the county in which the~~
35 ~~development is located.~~

36 ~~(c) No gain shall be recognized with respect to a sale of real~~
37 ~~property to a majority or more of existing lower income and very~~
38 ~~low income residents of that property, provided that all of the~~
39 ~~proceeds from the sale are reinvested in residential real property,~~

1 other than a personal residence, in this state within two years after
2 the sale.

3 (d) ~~No gain shall be recognized with respect to a sale of a~~
4 ~~majority or more of units converted to condominium interests to~~
5 ~~the existing lower income or very low income residents of that~~
6 ~~property, provided that all of the proceeds from the sale are~~
7 ~~reinvested in residential real property, other than a personal~~
8 ~~residence, in this state within two years after the sale.~~

9 (e) ~~For purposes of this section:~~

10 (1) ~~“Assisted housing development” means a multifamily rental~~
11 ~~housing development that receives federal government assistance,~~
12 ~~appearing of record and containing a legal description of the~~
13 ~~property, as defined in subdivision (a) of Section 65863.10 of the~~
14 ~~Government Code.~~

15 (2) ~~“Tenant association” means a group of tenants who have~~
16 ~~formed a nonprofit corporation, cooperative corporation, or other~~
17 ~~entity or organization; or a local nonprofit, regional, or national~~
18 ~~organization whose purpose includes the acquisition of an assisted~~
19 ~~housing development, real property, or condominium and which~~
20 ~~represents the interests of at least a majority of the tenants in the~~
21 ~~assisted housing development, real property, or condominium.~~

22 (3) ~~“Nonprofit organization” means a not-for-profit corporation~~
23 ~~organized pursuant to Division 2 (commencing with Section 5000)~~
24 ~~of Title 1 of the Corporations Code, which has as its principal~~
25 ~~purpose the ownership, development, or management of housing~~
26 ~~or community development projects for persons and families of~~
27 ~~lower income and very low income, and which has a broadly~~
28 ~~representative board, a majority of whose members are~~
29 ~~community-based and has a proven track record of community~~
30 ~~service.~~

31 (4) ~~“Public agency” means a housing authority, redevelopment~~
32 ~~agency, or any other agency of a city, county, or city and county,~~
33 ~~whether general law or chartered, which is authorized to own,~~
34 ~~develop, or manage housing or community development projects~~
35 ~~for persons and families of lower income and very low income.~~

36 (5) ~~“Regional or national organization” means a not-for-profit,~~
37 ~~charitable corporation organized on a multicounty, state, or~~
38 ~~multistate basis which has as its principal purpose the ownership,~~
39 ~~development, or management of housing or community~~

1 development projects for persons and families of lower income
2 and very low income.

3 (6) “Regional or national agency” means a multicounty, state,
4 or multistate agency which is authorized to own, develop, or
5 manage housing or community development projects for persons
6 and families of lower income and very low income.

7 (7) “Profit-motivated organization or individual” means an
8 individual or two or more persons organized pursuant to Division
9 1 (commencing with Section 100) of Title 1 of, Division 3
10 (commencing with Section 1200) of Title 1 of, or Division 1
11 (commencing with Section 15001) of Title 2 of, the Corporations
12 Code, which carries on as a business for profit.

13 (8) “Lower income” means those residents having an income
14 as defined by Section 50079.5 of the Health and Safety Code.

15 (9) “Very low income” means those residents having an income
16 as defined by Section 50105 of the Health and Safety Code.

17 (10) “Resident” means a tenant or other person who lawfully
18 occupies a unit located in a qualified low-income housing project
19 as defined under Section 23610.5, and whose income qualifies as
20 lower income or very low income.

21 (11) “Condominium” means the interest in real property defined
22 in Section 783 of the Civil Code.

23 (f) If the purchase of residential real property results in the
24 nonrecognition of gain on the sale of an assisted housing
25 development, real property, or condominium under subdivision
26 (a), (b), (c), or (d), in determining the adjusted basis of the
27 purchased residential real property as of any time following the
28 sale of the assisted housing development, real property, or
29 condominium, the adjustments to the basis shall include a reduction
30 by an amount equal to the amount of the gain not so recognized
31 on the sale of the assisted housing development, real property, or
32 condominium. If more than one parcel of residential real property
33 has been purchased, the nonrecognized gain from the sale of the
34 assisted housing development, real property, or condominium shall
35 be attributed to the parcels of residential real property on a pro
36 rata basis based upon the purchase prices of those parcels.

37 (g) In accordance with subdivision (a), (b), (c), or (d), if the sale
38 of an assisted housing development, real property, or condominium
39 results in a gain during the taxable year, then all of the following
40 shall apply:

1 ~~(1) The statutory period for the assessment of any deficiency~~
2 ~~attributable to any part of the gain shall not expire before the~~
3 ~~expiration of four years from the date the Franchise Tax Board is~~
4 ~~notified (on the form as the Franchise Tax Board may provide) of~~
5 ~~one of the following:~~

6 ~~(A) The cost of purchasing the residential real property which~~
7 ~~satisfies the requirement of subdivision (a), (b), (c), or (d), and~~
8 ~~results in the nonrecognition of gain:~~

9 ~~(B) The intention not to reinvest all of the proceeds from the~~
10 ~~sale in residential real property within the period specified in~~
11 ~~subdivision (a), (b), (c), or (d):~~

12 ~~(C) The failure to reinvest all of the proceeds from the sale in~~
13 ~~residential real property within the period specified in subdivision~~
14 ~~(a), (b), (c), or (d):~~

15 ~~(2) The deficiency may be assessed before the expiration of the~~
16 ~~period specified in paragraph (1), notwithstanding the provisions~~
17 ~~of any other law or rule of law which would otherwise prevent the~~
18 ~~assessment.~~

19 ~~(3) All information regarding the sale of an assisted housing~~
20 ~~development, real property, or condominium, at a gain in~~
21 ~~accordance with subdivision (a), (b), (c), or (d), shall be disclosed~~
22 ~~in the return for the taxable year in which the sale took place in~~
23 ~~order to determine if the sale qualifies and the amount of~~
24 ~~nonrecognition of gain qualifies under subdivision (a), (b), (c), or~~
25 ~~(d):~~

26 ~~(h) The Department of Housing and Community Development~~
27 ~~shall do all of the following:~~

28 ~~(1) Certify that the lower income or very low income resident~~
29 ~~meets the definitions provided in paragraphs (8) and (9) of~~
30 ~~subdivision (e):~~

31 ~~(2) Provide an annual listing to the Franchise Tax Board, in a~~
32 ~~form and manner agreed upon by the Franchise Tax Board and the~~
33 ~~Department of Housing and Community Development, of the~~
34 ~~names and identification numbers of the persons who are members~~
35 ~~of the group of purchasers who are lower income or very low~~
36 ~~income residents that were issued a certification, and the names~~
37 ~~and identification numbers of the sellers of the property:~~

38 ~~(3) Provide the group of purchasers who are lower income or~~
39 ~~very low income residents a copy of the certification:~~

1 (i) ~~The group of purchasers who are lower income or very low~~
2 ~~income residents shall do all of the following:~~

3 (1) ~~Provide the Department of Housing and Community~~
4 ~~Development with documents, as deemed necessary by the~~
5 ~~department, verifying the income of each member of the group.~~

6 (2) ~~Provide a copy of the certification to the seller of the assisted~~
7 ~~housing development, real property, or condominium.~~

8 (3) ~~Retain a copy of the certification.~~

9 (j) ~~The seller of the assisted housing development, real property,~~
10 ~~or condominium shall do all of the following:~~

11 (1) ~~Obtain a copy of the certification from the group of~~
12 ~~purchasers who are lower income or very low income residents of~~
13 ~~the assisted housing development, real property, or condominium.~~

14 (2) ~~Retain a copy of the group's lower income or very low~~
15 ~~income certification for tax purposes.~~

16 (k) ~~This section shall cease to be operative for taxable years~~
17 ~~beginning on or after January 1, 2010.~~

18 SEC. 29. ~~Section 24955.5 is added to the Revenue and Taxation~~
19 ~~Code, to read:~~

20 24955.5. ~~For taxable years beginning on or after January 1,~~
21 ~~2010, Section 1043 of the Internal Revenue Code, relating to sale~~
22 ~~of property to comply with conflict-of-interest requirements shall~~
23 ~~not apply.~~

24 SEC. 30. ~~Section 24957 is added to the Revenue and Taxation~~
25 ~~Code, to read:~~

26 24957. ~~For taxable years beginning on or after January 1, 2010,~~
27 ~~Section 1045 of the Internal Revenue Code, relating to rollover~~
28 ~~gain from qualified small business stock to another qualified small~~
29 ~~business stock shall not apply.~~

30 SEC. 31. ~~Section 24958 is added to the Revenue and Taxation~~
31 ~~Code, to read:~~

32 24958. ~~For taxable years beginning on or after January 1, 2010,~~
33 ~~Section 1058 of the Internal Revenue Code, relating to special~~
34 ~~rules for transfers of securities under certain agreements shall not~~
35 ~~apply.~~

36 SEC. 32. ~~This act provides for a tax levy within the meaning~~
37 ~~of Article IV of the Constitution and shall go into immediate effect.~~